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*Via Hand Delivery and Electronic Filing*

September 5, 2008

Mary L. Cottrell, Secretary  
Department of Public Utilities  
One South Station – 2<sup>nd</sup> Floor  
Boston, MA 02110

**Re: Request to Increase Funding for 2008 Residential Energy Efficiency Plans  
Reply Comments of Environment Northeast**

Dear Secretary Cottrell:

Environment Northeast (“ENE”) appreciates the opportunity to submit these reply comments concerning the Department of Energy Resources (“DOER”) July 16, 2008 request for increases in the 2008 residential efficiency programs.

Given the high and rising energy costs customers are facing and the dramatic cost savings that can be achieved through investments in efficiency resources, ENE strongly supports expanding programs for residential customers in 2008. In addition, since efficiency programs benefit all classes of customers, to the extent feasible, ENE supports increased efficiency investments in 2008 for all classes of customers.

Fortunately, the recently-enacted Green Communities Act (“Act”) provides for several new source of funding for efficiency investments, including proceeds from the sale of allowances under the Regional Greenhouse Gas Initiative (“RGGI”). The Act specifies that 80% of such proceeds will go to energy efficiency least cost procurement.<sup>1</sup> Because the first RGGI auctions will occur on September 25, 2008 and December 17, 2008 RGGI auctions, it is likely that these funds will be available to help pay for the proposed increases in 2008 efficiency programs. Recent forward (future) prices for RGGI auction allowances, as listed on NYMEX and CCX, have been between approximately between \$4 and \$5 per ton. At a price of \$4.50 per ton, the 4,347,534 tons that will be auctioned on September 25 and the 4,347,534 tons that will be auction on December 17 would, in aggregate, generate roughly \$39 million.<sup>2</sup> Under this scenario, roughly \$31 million would be available from RGGI proceeds to fund the 2008 efficiency increases. ENE believes the best course of action is to apply the 80% of the RGGI proceeds from the September and December auctions to fund the

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<sup>1</sup> See Mass. Gen. Laws ch. 25 § 19(a) as amended by Chapter 169 of the Acts of 2008, Section 11.

<sup>2</sup> This calculation is for illustrative purposes only and does not constitute a prediction or guarantee of actual allowance prices at either auction.

near term 2008 ramp-up. It is likely that such a course of action would reduce or eliminate the funding gap for increased programs this year.

In the event that the September and December RGGI proceeds do not cover the entire funding need for the 2008 ramp-up, ENE suggests that the balance is borrowed from 2009 program years. This approach has the advantage of avoiding the necessary procedure that would be required to institute a "fully reconciling mechanism" under an increasingly short time available. In addition, 2009 will likely have additional auction RGGI proceeds and other funding sources.

Again, ENE appreciates the opportunity to file these reply comments. If you have any questions or concerns, please do not hesitate to contact me at 617-742-0440.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy C. McDiarmid', with a stylized, cursive script.

Jeremy C. McDiarmid  
Staff Attorney

cc: Benjamin Spruill, Hearing Officer  
Jamie Tosches, Assistant Attorney General  
Service list (via e-mail)